



Nations in Transit 2013 - Albania

Publisher [Freedom House](#)

Publication Date 18 June 2013

Cite as Freedom House, *Nations in Transit 2013 - Albania*, 18 June 2013, available at: <http://www.refworld.org/docid/51c168175f.html> [accessed 25 November 2013]

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Capital: Tirana

Population: 3.2 million

GNI/capita, PPP: US\$8,820

2013 Scores

Democracy Score: 4.25

Regime Classification: Transitional Government or Hybrid Regime

National Democratic Governance: 5.00

Electoral Process: 4.25

Civil Society: 3.00

Independent Media: 4.00

Local Democratic Governance: 3.50

Judicial Framework and Independence: 4.75

Corruption: 5.25

Nations in Transit Ratings and Averaged Scores

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Electoral Process	3.75	3.75	3.50	4.00	4.00	3.75	3.75	4.00	4.25	4.25
Civil Society	3.50	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Independent Media	3.75	4.00	3.75	3.75	3.75	3.75	4.00	4.00	4.00	4.00
Governance *	4.25	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
National Democratic Governance	n/a	4.25	4.00	4.25	4.25	4.25	4.50	4.75	4.75	5.00
Local Democratic Governance	n/a	3.25	2.75	2.75	2.75	2.75	3.00	3.25	3.25	3.50
Judicial Framework and Independence	4.25	4.50	4.25	4.00	4.00	4.25	4.25	4.25	4.75	4.75
Corruption	5.25	5.25	5.25	5.00	5.00	5.00	5.00	5.00	5.00	5.25
Democracy Score	4.13	4.04	3.79	3.82	3.82	3.82	3.93	4.04	4.14	4.25

Source: The data above are drawn from The World Bank, *World Development Indicators 2013*.

* Starting with the 2005 edition, Freedom House introduced separate analysis and ratings for national democratic governance and local democratic governance, to provide readers with more detailed and nuanced analysis of these two important subjects.

NOTE: The ratings reflect the consensus of Freedom House, its academic advisers, and the author(s) of this report. The opinions expressed in this report are those of the author(s). The ratings are based on a scale of 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest. The Democracy Score is an average of ratings for the categories tracked in a given year.

Executive Summary:

Over the course of two decades of democratic transition, Albania has made some progress toward Euro-Atlantic integration, becoming a member of the North Atlantic Treaty Organization (NATO) in 2009 and applying in the same year to join the European Union (EU).

In the fall of 2012, the European Commission gave the country's stalled EU accession bid new momentum by recommending that Albania be granted candidate status. After two years of feuding, the two main political parties had recently cooperated in adopting important reform laws that required a parliamentary supermajority to pass, such as amendments to the civil and criminal codes, the electoral code, and a law on immunity for judges and legislators. However, due to continued partisan deadlock on three other key pieces of legislation, along with a lack of tangible results regarding the implementation of earlier legal reforms, the EU ultimately decided not to grant candidate status to Albania in 2012.

Interior Minister Bujar Nishani was elected president by the parliament on 11 June. He was endorsed by a simple majority of lawmakers from Prime Minister Sali Berisha's Democratic Party (PD) and allied factions, without a consensual process or the cross-party support advocated by the EU and the international community. Nishani subsequently replaced a number of security and judicial officials who had clashed with the Berisha government.

Nationalistic rhetoric has become more common among political parties, especially on the right, generating objections in neighbouring countries as well as from Albania's strategic international partners.

National Democratic Governance. Following the political and institutional conflicts of 2011, the year 2012 featured a consolidation of power by Berisha and the PD, which removed perceived opponents from key positions and replaced them with its own appointees. Despite making progress on some relevant legislative reforms, Albania was denied EU candidate status for the third year in a row. Overall economic indicators worsened as a result of troubled efforts to privatize key companies and weak foreign direct investment. A Czech firm that bought the formerly state-owned power distribution company threatened to leave the country due to financial problems, which it claimed were caused by Albanian authorities. *Albania's national democratic governance rating declines from 4.75 to 5.00.*

Electoral Process. With the 2013 general elections approaching, the electoral code was amended with the consensus of both the PD and the opposition Socialist Party (PS), though smaller parties were not included in the negotiations. The existing electoral system remained unchanged, and few technical novelties were introduced, despite calls for reform by international bodies and the smaller parties. A new Central Election Committee was constituted, with members proposed by the PD and PS. However, several legal deadlines for preelection preparations were breached toward the end of the year, raising doubts about whether the voting could be conducted as scheduled. *Albania's electoral process rating remains unchanged at 4.25.*

Civil Society. The civil society sector in Albania remains relatively weak in several respects, including organizational capacity, internal democratic governance, public trust, and influence in policymaking. The sector's performance is also compromised by unclear tax and financial regulations, increasing challenges regarding financial sustainability, and poor cooperation and coordination among different groups. Civil society outside the capital remains especially underdeveloped. Labor unions are also weak, and both the authorities and private companies are typically hostile to organizing and collective-bargaining efforts. Nevertheless, there were some signs of a rise in civic activism during 2012, particularly on the rights of former political prisoners, the improvement of working conditions for miners, waste import policies, and the rights of LGBT (lesbian, gay, bisexual, and transgender) people. *Albania's civil society rating remains unchanged at 3.00.*

Independent Media. Freedom of expression is legally guaranteed and freely exercised in the country, though the media sector lacks both a clear legal framework and self-regulatory mechanisms. The number of media operators has increased along with internet penetration, but this has not automatically resulted in more diverse or high-quality content. Due to the more stable political environment in 2012, there were no major confrontations between the authorities and journalists. Legal changes early in the year abolished imprisonment as a penalty for criminal defamation, though the provision had rarely been used. The only international media group present in Albania, Germany's WAZ, sold its stakes to a local partner in August and withdrew from the Albanian market. *Albania's independent media rating remains unchanged at 4.00.*

Local Democratic Governance. Local governments are weak, fragmented, and subject to political manipulation by the central government, compromising their ability to function and provide basic services. The transfer of funds to local governments from the central budget continued to decline in 2012. Meanwhile, restrictive borrowing policies make it almost impossible for local governments to diversify their funding sources with loans. During 2012, the government enacted changes to budget legislation that allowed the Ministry of Finance to block financial transfers to already struggling local governments, creating a further check on local autonomy. Regional governments led by the political opposition suffered disproportionately from the resulting loss of funds. *Albania's rating for local democratic governance worsens from 3.25 to 3.50.*

Judicial Framework and Independence. Albania's judicial institutions continued to suffer from political pressure and interference in 2012. The general prosecutor, Ina Rama, was removed through a contentious legal interpretation on the length of her term, and a new one was appointed. Rama had repeatedly investigated senior government figures accused of corruption and other abuses, earning the enmity of the prime minister. Some legal reforms affecting the judicial system were approved by the parliament during the year, while other key laws are still pending. Enforcement of court decisions remains weak, particularly by state institutions. The motives and perpetrators behind the 2011 assassination of a judge in the city of Vlora were still unknown. *Albania's judicial framework and independence rating remains unchanged at 4.75.*

Corruption. Although anticorruption efforts are a key component of Albania's EU integration requirements, they continue to yield poor results due to a lack of political will and institutional enforcement. Citing insufficient evidence, the Supreme Court in January acquitted former deputy prime minister Ilir Meta of corruption charges, bringing an end to a notorious case that had set off violent opposition protests a year earlier. Later in the year, similar charges against former economy minister Dritan Prifti were also dropped. A scandal involving the forging of a university diploma for the son of an Italian politician revealed weak inspections in the country's educational system. As evidence of impunity for high-level corruption mounts, *Albania's corruption rating declines from 5.00 to 5.25.*

Outlook for 2013. The conduct of elections in past years has heavily affected political and institutional developments in the country. The existing hostile political climate and failure to progress in the EU integration process is a direct result of the disputed 2009 electoral process. The

next general elections, scheduled for 23 June 2013, will be a crucial test for Albanian democracy and the functioning of core institutions. The recent increase in nationalist rhetoric could accelerate during the campaign. No other relevant developments are expected in the first half of the year, as the approaching elections will monopolize the public sphere. A new government will be mandated in September, when the new parliament begins its four-year term.

National Democratic Governance:

Following the political and institutional conflicts of 2011, the year 2012 featured a consolidation of power by Prime Minister Sali Berisha and his ruling Democratic Party (PD), which removed perceived opponents from key positions and replaced them with its own appointees.

The parliament functioned regularly and passed some relevant legislative reforms with the consent of both major political parties, partly overcoming the partisan gridlock of past years. The reforms addressed a number of the 12 key priorities set by the European Union (EU). However, this progress was not enough for the European Council to grant Albania candidate status. In December 2012, Albania's application was denied for the third year in a row, mainly due to a lack of results from adopted legislation and the refusal of the opposition Socialist Party (PS) to pass the three remaining bills related to the EU priorities.

The election of Interior Minister Bujar Nishani of the PD for a five-year term as president on 11 June enabled the other important appointments later in the year. He was chosen by the parliamentary majority without the consensus or cross-party support advocated by the EU and the international community. The PD demonstrated a lack of political will to include the opposition in the selection process. At the same time, the opposition chose not to endorse the first two candidates proposed by the ruling coalition, who were not directly linked to the majority. As a result, the first three voting sessions, which required a qualified majority, failed. Nishani was elected during the fourth voting session, which required only a simple majority. As Albania is a parliamentary republic, the president has few executive powers, but he does have an important role in appointments to the judiciary and security services.

In August, Nishani dismissed Bahri Shaqiri as head of the State Information Service (SHISH), Albania's intelligence agency. Since the president has no obligation to justify such decisions, no explanation was given. However, after the violent antigovernment protests of 21 January 2011, Prime Minister Sali Berisha had publicly accused Shaqiri of participating in a coup conspiracy with the opposition, then president Bamir Topi, and general prosecutor Ina Rama, among others. The new SHISH chief, Visho Ajazi Lika, had served as deputy minister of innovation in Berisha's cabinet.^[1]

In the fall, Nishani also moved to appoint a new general prosecutor. The parliamentary majority claimed that Rama's mandate expired in November 2012, five years after her appointment, while the opposition argued that her term ended in May 2013, five years after the revised law on the office, which replaced the life mandate with a five-year term, came into force. Rama's predecessors were similarly discharged through speedy, unclear procedures, which the Constitutional Court had deemed unconstitutional,^[2] but no legal remedies had since been undertaken. Rama did not file a complaint in response to her dismissal when her replacement, Adriatik Llalla, was appointed by the president on 3 December.

The year 2012 marked the centennial of the establishment of the modern state of Albania. Many celebratory activities were organized in Albania and among ethnic Albanians in Kosovo and Macedonia. An increased level of nationalistic rhetoric adopted by some smaller political parties and organizations during 2012 had a spillover effect on mainstream parties and the government. Statements made by the prime minister during the centennial celebrations drew negative reactions from neighboring countries, with the representatives of Macedonia and Greece canceling their

participation in the ceremonies. Albania has often been praised for having good relations with its neighbors, and such incidents could endanger the support of international partners.

The economic situation remained stable during 2012, although macroeconomic indicators worsened as a result of troubled efforts to privatize key companies and weak foreign direct investment. The privatization of the state oil company Albetrol was uncertain at year's end, since the bidding consortium did not pay the financial guarantee before the required deadline. The formerly state-owned power distribution company bought by the Czech firm CEZ was suffering significant financial problems during the year. CEZ blamed its losses on low rates set by the Albanian Energy Regulation Authority (ERE) and the nonpayment of utility bills by Albanian government entities.^[3] Albania's state-owned electricity producer, KESH, claimed that CEZ in turn had failed to pay it large sums of money during the year. ERE fined CEZ and was reviewing its distribution license. Given its large stake in the energy market, CEZ's possible departure from Albania would require the intervention of the government and would have a negative effect on the state budget. Public debt was already high in 2012; Albania breached its public debt ceiling of 60 percent of gross domestic product (GDP) during the year.^[4] However, in December 2012 the parliament passed a government-proposed bill that abolished the legal threshold for public debt. In addition to the country's existing financial difficulties, the measure was apparently motivated by the expectation of increased public spending ahead of the general elections scheduled for June 2013.

Economic growth was weak, with real GDP shrinking by 0.2 percent in the first quarter of 2012.^[5] The return of migrant workers from Greece has affected the economy and businesses. Some improvements in the regulatory framework continued; the payment of company taxes was made easier through the abolition of the vehicle tax and the promotion of electronic tax filing. However, due to stagnation in many categories and better performance by other countries, Albania's ranking in the World Bank's *Doing Business Report 2013* actually worsened to 85, from 82 in the 2012 edition.^[6]

Property rights continue to be an issue of high concern for the country's development. The government has adopted a formal strategy to address the problem, but efforts to produce concrete results have moved at a slow pace. The strategy acknowledges that because the financial cost of the process has not yet been determined,^[7] it cannot provide a clear timeframe for the full restitution of property rights. Moreover, the process, ongoing since 2006, of legalizing illegally occupied properties in exchange for a fee has financially burdened the state budget. In a recent adjudication, the European Court of Human Rights instructed the Albanian government to "reconsider increasing the cost-share borne by the legalization applicants to the extent that it would be capable of matching the financial compensation paid to former owners."^[8]

Local Democratic Governance:

The legal framework for local government in Albania is based on the principles of democracy, decentralization, and autonomy. However, in reality, local governments are weak, fragmented, and subject to political manipulation by the central government. Continuous internal migration and emigration have left many local units with too few inhabitants and too little revenue to provide basic services. By 2012, most Albanian local governments were heavily in debt to the electricity supplier CEZ. The government responded to pressure from CEZ with legislation that further undermines local government autonomy.

Local government is divided into 373 directly elected local units made up of 65 municipalities in urban areas and 308 rural communes. The mayors of municipalities and communes are directly elected through a majority system, while their representative councils are elected through a proportional, closed-list system. A second layer of local government is made up of 12 largely

powerless administrative units called *qarku*, or counties. Counties are governed by councils made up of representatives of communes and municipalities and their elected heads.

Financially, local administrative units find themselves increasingly dependent on the central government. Badly-needed infrastructure development depends on central government investment, which is determined through a grant application process with unclear criteria. A committee headed by the prime minister evaluates all applications, usually on the basis of party loyalty. Local authorities have no say in the amount or placement of central government investments.

According to a report by the United States Agency for International Development, the transfer of funds to Albania's local governments from the central budget is declining, even relative to neighboring countries with comparable expenses and revenues.^[9] Meanwhile, restrictive borrowing policies make it extremely difficult for local governments to diversify their funding sources and reduce their dependence on the central government. The 2008 Law on Local Government Borrowing allows local governments to seek loans for financing infrastructure projects, but secondary legislation and more recent administrative regulations have effectively prevented them from doing so.^[10] In November 2012, the central government increased its own ability to borrow, removing an existing cap on national public debt.

In September 2012, the Albanian government rushed through a legislative amendment allowing the Ministry of Finance to block funding transfers from central to local government budgets. The law, which imposes yet another check on the autonomy of local government, was passed partly in order to address Albanian local governments' unpaid utilities and mounting indebtedness to CEZ. The exact amount of their debt accumulated is a subject of some dispute between the government and CEZ, but the figure legally owed at year's end was 1.3 billion LEK (\$13 million USD). At several points during the year, the ministry exercised this power when local government units failed to pay their utility bills. The ministry withheld funds usually allocated for local utilities and transferred them directly to electricity distributor CEZ. As a result, some already struggling local governments found themselves forced to downsize; some even threatened to close down temporarily, having no alternative sources of funding.

The transfer of water utilities to local governments, once touted as a positive example of decentralization, has also turned out to be very problematic. Beginning in 2007, the central government unilaterally assigned shared ownership of water utilities to local government units, despite these units' reluctance to manage utility companies they knew were not financially viable. According to a 2011 report by the World Bank, responsibility for these utility companies is a major burden on local government, as very few of the companies can fully cover operation and maintenance costs out of their internal revenues.^[11] The lion's share of local government debt to CEZ derives from water utilities.

Political forces continued to vie for control of local councils long after the May 2011 elections, hampering the normal functioning of local institutions. Political gridlock delayed or blocked several municipal councils from approving 2012 budgets. Conflicts between the opposition and ruling party are particularly prevalent in regional councils at the county level. In Fier county, several court battles are ongoing, including one dispute between two would-be council leaders, neither of which recognizes the other's authority. As regional councils have no real power, the struggles for their leadership appear to be merely an exercise in political muscle-flexing.

Corruption:

Corruption is widespread in many sectors in Albania, posing a major obstacle to the country's development and democratization. Despite the fact that the EU considers fighting corruption a key priority for Albania's integration, anticorruption efforts have yielded weak results due to a lack of political will and institutional enforcement. The implementation of Albania's 2011-13 Anticorruption Action Plan continued in 2012 without proper monitoring or follow-up. The year

witnessed acquittals in two extremely prominent cases of high-level corruption, demonstrating the inability of the judicial system to withstand political influence and punish graft. Albania's ranking in Transparency International's Corruption Perception Index for 2012 fell from 95 to 113, the lowest rating in Europe and far below other countries in the region.^[12]

Members of Albania's Supreme Court are proposed by the president of the republic and appointed by a simple majority in parliament. The Supreme Court acts as a first instance court for high officials, including members of the national assembly. This arrangement allows the ruling majority to appoint judges unlikely to rule against them in corruption cases. In September, members of the national assembly finally reached cross-party consensus on a constitutional amendment limiting immunity for members of parliament and judges. However, the level of political influence on the judiciary remains such that it is difficult to predict the impact of the change. In December 2012 President Nishani replaced Prosecutor General Ina Rama, who had brought a number of corruption cases against senior government officials. A number of low-to-middle-ranking officials were arrested during the year, but no new top-level prosecutions had been initiated at year's end.

In January 2012, citing a lack of evidence, the Supreme Court dismissed charges against Ilir Meta, who had resigned as deputy prime minister in 2011 after a video showed him discussing acts of corruption in connection with the tender on a hydropower plant.^[13] The video, which had been released to the media in January 2011 by a member of Meta's own party, led to a major demonstration that ended in dozens of injuries and four deaths. On the eve of the Meta verdict, media reported that Prime Minister Berisha was having dinner at Meta's home, in a show of support. The next day, the Supreme Court ruled unanimously that the authenticity of the incriminating video could not be verified, despite authentication reports by international experts. All charges against Meta were dropped.^[14]

In a parallel case against former economy minister Dritan Prifti, the court ruled in September that another incriminating video was inadmissible, leading prosecutors to drop the charges. Footage of Prifti apparently splitting a bribe with a colleague had been discovered by the prosecution in the process of authenticating Meta's video (stored on the same computer).^[15] The dismissal of these two, widely publicized cases sent a signal that high-level officials are still above the law, even in the face of convincing evidence.

The culture of impunity in Albania is not confined to the government sphere or to public institutions. In spring, it was revealed that the son of prominent Italian politician Umberto Bossi had received a degree from the private Kristal University in Tirana without knowing the Albanian language or having attended any courses. The fraud was uncovered by Italian prosecutors, rather than as the result of an Albanian investigation, and the only employee of Kristal University charged with wrongdoing in an Albanian court was the university archivist, who had apparently forged the documents.

Poor transparency and access to information greatly complicate efforts to monitor corruption, though some progress in this area was visible in 2012. Efforts to enhance transparency through the development of e-government initiatives continued in 2012, but have yet to be finalized. The harmonization of data on investigations and attempts at improved institutional coordination constitute other positive developments. The Supreme State Audit agency played a more proactive role in inspections and corruption investigations during the year, bringing 40 criminal cases against 125 public administration officials in 2012 – double the total number of charges brought between 2009 and 2011.^[16]

Author:

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Notes:

- 1 Besar Likmeta, "Albania opposition pans nomination of new spy chief," *Balkan Insight*, 13 August 2012, <http://www.balkaninsight.com/en/article/albania-opposition-pans-nominations-of-new-spy-chief>.
- 2 Albanian Constitutional Court, "Vendim Nr. 76 Gjykates Kushtetuese" [Decision No. 76 of the Constitutional Court], 8 April 2002, <http://www.alb-net.com/pipermail/albsa-info/2002-April/002898.html>.
- 3 "CEZ: Trouble in Albania," *Financial Times*, 26 November 2012, <http://blogs.ft.com/beyond-brics/2012/11/26/cez-trouble-in-albania/#axzz2FUxviuwf>.
- 4 The World Bank Group, *South East Europe: Regular Economic Report No. 3* (Washington, DC: The World Bank Group, 18 December 2012), 23.
- 5 "Albania," *Economist Intelligence Unit*, August 2012, http://www.eiu.com/index.asp?layout=RKCountryVW3&country_id=880000288.
- 6 The World Bank Group, *Doing Business 2013* (Washington, DC: The World Bank Group, 2013), 39, <http://www.doingbusiness.org/media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB13-full-report.pdf>.
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- 9 USAID Planning and Local Governance Project (PLGP), *White Paper on Fiscal Decentralization in Albania* (Washington, DC: USAID, 4 October 2012), XI, <http://www.plgp.al/plgp/images/pdf-files/White%20Paper%20on%20Fiscal%20Decentralization%20-%20English%20-Final%20Oct4.pdf>.
- 10 Ibid, 60.
- 11 The World Bank Group, *Decentralization and Service Delivery in Albania: Governance in the Water Sector* (Washington, DC: The World Bank Group, August 2011), 8, http://siteresources.worldbank.org/INTALBANIA/Resources/Water_English.pdf.
- 12 Transparency International, *2012 Corruption Perception Index* (Berlin: Transparency International, 2012), <http://cpi.transparency.org/cpi2012/>.
- 13 "Ilir Meta acquitted from charges, opposition protests court ruling," *European Forum for Democracy and Solidarity*, 18 January 2012, http://www.europeanforum.net/news/1324/ilir_meta_acquitted_from_charges_opposition_protests_c
- 14 Supreme Court, Decision, No. 8, dated 24 January 2012.

[15](#) Supreme Court, Decision, No. 6, dated 21 September 2012; and Besar Likmeta, "A specter is haunting the Balkans: the specter of corruption," *Foreign Policy*, 6 December 2012, http://transitions.foreignpolicy.com/posts/2012/12/06/a_specter_is_haunting_the_balkans_the_spect

[16](#) Supreme State Audit, Annual Report 2012, December 2012.

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